

Home delivery of meals to elderly and handicapped. A nonprofit organization that provides home delivery of meals to elderly and handicapped people by volunteers, for a fee insufficient to cover the cost of operations but approximating the cost of the meals provided, or for a reduced fee or no fee depending on the recipient's ability to pay, is operated for charitable purposes and qualifies for exemption under section 501(c)(3) of the Code.

Advice has been requested whether the nonprofit organization described below, which otherwise qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954, is operated exclusively for charitable purposes.

The organization was formed to provide home deliveries of wholesome meals to the people of a community who, by reason of advanced age or other handicap, cannot readily obtain them on a regular basis without such assistance. The people benefitted by the program cannot leave their homes to purchase meals and, in many cases, cannot provide for their needs from their own financial or other resources.

Meals are delivered by volunteers who provide their own transportation. The organization charges recipients a fee approximating the cost of the meals provided. However, if a recipient is unable to pay the organization's regular charges, the recipient's charges are reduced to what he can afford to pay. The service is not discontinued if the recipient becomes unable to pay.

The organization's receipts as payments for meals from recipients are not sufficient to cover the cost of operations. The deficit is made up from contributions from the general public.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term 'charitable' is used in section 501(c)(3) of the Code in its generally accepted legal sense and includes relief of the poor and distressed.

The Service has recognized that financial distress is but one of the difficulties encountered by the aged as a class. See Rev. Rul. 72-124, 1972-1 C.B. 145. The provision of the meal service to the elderly (and in this case, the handicapped as well) serves to relieve, to varying extents, many of the forms of distress that justify considering the aged and handicapped as charitable classes. Financial distress is relieved in individual cases when the recipient is unable to pay the full cost of the service. When services are provided directly for a charitable class or classes,

however, the fact that a fee approximating cost is asked (although not always paid by the recipient) is one of many factors to be taken into account in making the determination under section 501(c)(3) of the Code.

By preparing and delivering meals to necessitous persons in the manner described above, the organization is providing relief to the distressed recipients of the meals and is therefore accomplishing a charitable objective. The physical delivery of the meals on a regular basis and the consistent maintenance of the personal contracts necessarily associated with the program are reasonably suited to meeting the special needs of this selected group of elderly and handicapped individuals. Under these circumstances, this service relieves the distress that causes the recipients of the meals to be considered a charitable class.

Accordingly, the organization is operated exclusively for charitable purposes and thus qualifies for exemption from Federal income tax under section 501(c)(3) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1023, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See sections 1.501(a)-1 and 1.508-1(a) of the regulations.